

John Keells Holdings

John Keells Holdings Limited

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February 5, 2003

Attn: Special Counsel Office of International
Corporate Finance
Securities & Commssions Exchange
Division of Corporate Finance
Fifth Street NW
Washington DC 20549
USA



03003928

SUPPL

Dear Sir,

JOHN KEELLS HOLDINGS LIMITED

Please find enclosed the following document.

- a) **Interim Report 09 Months ended 31st December 2002**

Yours faithfully,
For JOHN KEELLS HOLDINGS LIMITED
KEELLS CONSULTANTS LIMITED

SECRETARIES

Encl.

PROCESS

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FINANCIAL

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John Keells Holdings Ltd. - Interim Report
Nine months ended 31st December 2002

Chairman's Message

The relatively improved economic environment, a period devoid of conflict, and the group's recent acquisitions have combined to produce excellent results this year. Group net earnings increased by 262% for the nine months ended 31st December 2002, and consolidated revenue grew by 39%, over the corresponding period of last year. While a strong earnings performance was witnessed in most sectors, group bottomline was mainly boosted by contributions from the Transportation and Food & Beverage sectors and a turnaround in the Leisure sector.

Increased rainfall in the last quarter dampened the momentum of the **Food and Beverage** sector, which however maintained a moderate level of growth from the corresponding period of last year. While sales of carbonated beverages were affected by bad weather, this was compensated by steady growth in demand for our ice creams, and an improved performance by Keells Food Products and the restaurants. This, coupled with greater labour efficiencies at Ceylon Cold Stores, should boost sector earnings during the rest of the year.

The **Transportation** sector has more than doubled its pre-tax profits for the nine months. The group's recent acquisition of a 90% stake in Lanka Marine Services (LMS) and the speedy progress made at South Asia Gateway Terminals (SAGT), have significantly contributed towards this end. We are confident that steps taken in improving efficiencies at LMS, including the initiation of a Voluntary Retirement Scheme, would lead to the desired benefits.

The **Leisure** sector has registered a marked turnaround in profitability, albeit from one of the worst quarters for local tourism, following the attack on the Colombo Airport and the events of September 11. Accordingly, while the Maldivian hotels still accounts for a bulk of hotel sector profits, the

local segment's contribution to growth has been significant. We are confident of the sector's performance for the rest of the year based on the present trend in arrivals and feedback from operators. While continuing to pursue possible regional expansions, the group is also reviewing its local tourism portfolio in order to gain maximum leverage from the sector's renewed prospects.

Despite higher rubber prices during most of the period under review and a marginal price increase in tea, the **Plantation** sector has reported a reduced level of profitability, mainly due to higher input costs in terms of wages and electricity charges. The continued increase in input costs remains a concern for the industry, and various initiatives are underway in addressing this issue.

The **Information Technology** sector has shown a marked turnaround from the comparative period of the previous year. This trend is expected to continue due to focussed marketing initiatives and a pick up in IT spending from our key customers.

In the **Financial Services** sector, John Keells Stock Brokers (JKSB) and Nations Trust Bank (NTB) have witnessed strong growth. JKSB has proved itself in the highly competitive brokerage industry by being ranked as the number one broker in terms of brokerage earned for the year 2002. NTB's growth in the last quarter in particular, was boosted by its successful integration of Waldock Mackenzie and the local operations of the American Express Bank. Union Assurance, although still affected by pricing issues and re-insurance costs, has seen an improved performance in the last quarter.

Although there has been a delay in the revival in external trade, the local economy looks to be on its way to recovery and the group is well positioned to leverage from this. The current peace process has thrust Sri Lanka in to international focus, and the potential fund flows through aid and

investment as well as a likely low interest rate regime augur well for business prospects. While JKH has been actively evaluating numerous investment opportunities, both locally and overseas, the group remains committed towards continually reviewing its existing operations, processes and systems in a bid to maximise organic value generation. To this end, your board has mandated the Boston Consulting Group, a leading strategy-consulting firm, to help position the group to take maximum advantage of new opportunities and improve its operating model in line with global best practices. While management is confident that FY2003 earnings will be the groups' best yet, we are committed to continually exceeding shareholder expectations.

V. Lintotawela
Chairman

3 February 2003

JOHN KEELLS HOLDINGS LIMITED
PROVISIONAL FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 31ST DECEMBER 2002

CONSOLIDATED INCOME STATEMENT

	Quarter ended 31st December			Nine months to 31st December		
	2002	2001	Change	2002	2001	Chg
Revenue	4,699,455	2,973,685	58%	12,178,806	8,764,155	39
Cost of Sales	-3,369,582	-2,060,585	64%	-8,682,407	-6,133,888	42
Gross Profit	1,329,873	913,100	46%	3,496,399	2,630,267	33
Other Operating Income	52,751	50,460	5%	125,834	156,410	-21
	1,382,624	963,560	43%	3,622,233	2,786,677	30
Administrative Expenses	-683,204	-560,171	22%	-1,932,195	-1,657,170	17
Selling & Distribution Expenses	-160,995	-138,679	16%	-444,742	-367,448	21
Other Operating Expenses	-68,788	-71,906	-4%	-190,521	-176,283	8
Profit from Operating Activities	469,637	192,804	144%	1,054,775	585,776	80
Cost of Voluntary Retirement Scheme	-11,269	-57,270	-80%	-26,381	-92,681	-72
Profit from sale of Discontinued Operations	-	-	0%	103,016	-	100
Finance Expenses	-89,178	-80,686	11%	-242,865	-252,036	-4
Profit from Operating Activities before Tax	369,190	54,848	573%	888,545	241,059	268
Share of Associate Company Profits	111,994	87,641	28%	335,653	181,766	85
Profit before Taxation	481,184	142,489	238%	1,224,198	422,825	190
Income Tax Expense	-52,735	-59,495	-11%	-237,266	-190,854	24
Profit after Taxation	428,449	82,994	416%	986,932	231,971	321
Minority Interest	-52,289	15,326	-441%	-119,581	7,852	-162
Profit available to the Group	376,160	98,320	283%	867,351	239,823	262
Retained profits brought forward (after adj.)	2,124,113	1,887,024		1,632,922	1,745,521	
Balance available for appropriations	2,500,273	1,985,344		2,500,273	1,985,344	
Transfer to Distributable Dividend Reserve	-	-		-	-	
Dividends	-	-		-	-	
Balance carried forward	2,500,273	1,985,344		2,500,273	1,985,344	
Earnings per share for the period - Basic	Rs. 2.02	Rs. 0.53		Rs. 4.66	Rs. 1.31	
Dividends per share - Gross / Effective	0.00	0.00		0.00	0.00	

Note : All values are in Rupees '000s, unless otherwise stated.
The above figures are subject to audit.

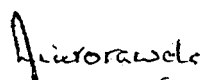
JOHN KEELLS HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER	2002	2001	As at 31.03.2001
ASSETS			
Non-current Assets			
Property, Plant & Equipment	9,509,732	8,921,115	8,928,211
Investments in Subsidiaries	10,680	47,508	10,680
Investments in Associates	2,556,688	2,718,863	2,245,000
Other Investments	128,570	140,710	146,400
Long Term Receivables	3,500	3,500	3,500
Deferred Expenditure	1,593	13,022	1,593
	<u>12,210,763</u>	<u>11,844,718</u>	<u>11,335,384</u>
Current Assets			
Inventories	1,911,200	1,208,867	1,203,700
Trade & Other Receivables	3,759,147	2,446,700	3,688,500
Short Term Investments	635,822	250,721	3,437,500
Cash in Hand and at Bank	1,024,185	728,425	912,700
	<u>7,330,354</u>	<u>4,634,713</u>	<u>9,242,400</u>
Total Assets	<u>19,541,117</u>	<u>16,479,431</u>	<u>20,578,784</u>
EQUITY & LIABILITIES			
Capital & Reserves			
Authorised Share Capital	3,000,000	3,000,000	3,000,000
Issued Share Capital	1,864,919	1,838,182	1,853,400
Capital Reserves	2,504,064	2,629,519	2,597,000
Revenue Reserves	2,312,924	2,025,030	2,316,000
Retained Earnings	2,500,273	1,985,344	1,644,000
Shareholders' Funds	<u>9,182,180</u>	<u>8,479,075</u>	<u>8,412,400</u>
Minority Interest	1,962,161	1,802,598	1,801,200
Non-current Liabilities			
Interest Bearing Borrowings	962,882	1,351,182	1,165,000
Deferred Tax	350,541	346,379	345,000
Retirement Benefit Obligation	532,368	472,823	490,000
Other Deferred Liabilities	97,329	95,781	93,000
	<u>1,943,120</u>	<u>2,266,165</u>	<u>2,095,000</u>
Current Liabilities			
Trade & Other Payables	3,161,691	2,047,146	5,666,000
Provision for Taxation	3,227	0	32,000
Dividends Payable	0	0	166,000
Short Term Borrowings	1,574,442	934,143	986,000
Interest Bearing Borrowings	365,656	345,768	398,000
Bank Overdrafts	1,348,640	605,536	1,017,000
	<u>6,453,656</u>	<u>3,932,593</u>	<u>8,268,000</u>
Total Equity & Liabilities	<u>19,541,117</u>	<u>16,479,431</u>	<u>20,578,784</u>
Net Assets per share	Rs. 49.24	Rs. 46.12	Rs. 45

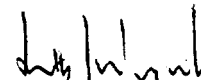
Note : All values are in Rupees '000s, unless otherwise stated.
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The Board of Directors is responsible for the preparation and presentation of these financial statements.



V. Lintotawela
Chairman

3 February 2003



S. C. Ratnayake
Director

JOHN KEELLS HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31th December

2002

2001

In Rs. '000s

CASH FLOW FROM OPERATING ACTIVITIES

Net Profit before Taxation

1,224,198

422,825

Adjustments for : Interest Received

-23,690

-16,162

Interest Paid

242,865

252,036

Dividends Received

-694

-18,400

Share of Associate Companies Profits

-335,653

-181,766

Depreciation

552,247

560,367

Profit from Discontinued Operations

-103,016

-

Profit on sale of Property, Plant & Equipment

-6,299

-10,378

(Profit)/Loss on sale of Shares

-5,450

-4,038

Goodwill on Consolidation

3,973

-4,494

Retiring Gratuity (net of payments)

29,163

-832

Amortisation of Grants & Subsidies

-4,296

-621

Deferred Expenditure (net)

377

1,884

Operating Profit before working capital changes

1,573,725

1,000,421

(Increase)/Decrease in Inventories

-11,825

-13,898

(Increase)/Decrease in Receivables & Prepayments

369,297

321,781

Increase/(Decrease) in Creditors & Accruals

17,443

-3,842,901

Increase/(Decrease) in Short Term Borrowings

542,760

604,292

Cash Flow Generated by Operations

2,491,400

-1,930,302

Interest Received

23,690

16,162

Interest Paid

-242,865

-252,036

Dividends Received

694

39,861

Taxation Paid

-237,842

-120,942

Cash Flow from Operating Activities

2,035,077

-2,247,252

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of Property, Plant & Equipment

-452,824

-308,142

Purchase of Subsidiaries

-1,199,362

-

Purchase of Investments

-16,362

-577,772

Change of Interest in Subsidiaries

-12,271

-65,912

Proceeds from sale of Property, Plant & Equipment

9,509

30,122

Disposal of Associates

26,233

-

Proceeds from sale of Investments

39,793

49,652

Grants Received

7,979

15,322

Net Cash Flow from Investing Activities

-1,597,305

-856,732

CASH FLOW FROM FINANCING ACTIVITIES

Issue of Shares - John Keells Holdings Limited

47,582

10,072

Minority Interest

-91,188

-104,422

Dividends Paid

-166,872

-169,562

Proceeds from Long Term Borrowings

50,848

371,622

Repayment of Long Term Borrowings

-243,151

-145,412

Net Cash Flow from Financing Activities

-402,781

-37,712

NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS

34,991

-3,141,702

CASH & CASH EQUIVALENTS AT THE BEGINNING (after adj.)

276,376

3,515,312

CASH & CASH EQUIVALENTS AT THE END

311,367

373,612

CASH & CASH EQUIVALENTS

Short Term Investments

635,822

250,722

Cash in Hand

1,024,185

728,422

Bank Overdrafts

-1,348,640

-605,532

Cash & Cash Equivalents

311,367

373,612

JOHN KEELLS HOLDINGS LIMITED

PROVISIONAL FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 31ST DECEMBER 2002

COMPANY INCOME STATEMENT

	Quarter ended 31 December			Nine months to 31 December		
	2002	2001	Change	2002	2001	Change
Revenue	276,326	204,282	35%	698,384	645,145	8%
Cost of Sales	-25,825	-16,004	61%	-66,337	-51,891	28%
Gross Profit	250,501	188,278	33%	632,047	593,254	7%
Other Operating Income	9,447	9,969	-5%	15,056	21,348	-29%
	259,948	198,247	31%	647,103	614,602	5%
Administrative Expenses	-46,497	-37,583	24%	-141,871	-128,046	11%
Other Operating Expenses	-11,937	-50,573	-76%	-37,005	-94,429	-61%
Profit from Operating Activities	201,514	110,091	83%	468,227	392,127	19%
Provision for fall in value of Investments	-2,685	-1,212	122%	-7,552	-2,484	204%
Finance Expenses	-63,031	-42,550	48%	-152,746	-125,296	22%
Profit before Taxation	135,798	66,329	105%	307,929	264,347	-16%
Income Tax Expense	0	4,998	-100%	0	7,142	-100%
Profit after Taxation	135,798	71,327	90%	307,929	271,489	13%
Retained profits brought forward	193,983	242,551		21,852	42,389	
Balance available for appropriations	329,781	313,878		329,781	313,878	
Transfer to Distributable Dividend Reserve	0	0		0	0	
Dividends	0	0		0	0	
Balance carried forward	329,781	313,878		329,781	313,878	
	Rs.	Rs.		Rs.	Rs.	
Earnings per share for the period - Basic	0.73	0.39		1.65	1.48	
Dividends per share - Gross / Effective	0.00	0.00		0.00	0.00	

Note : All values are in Rupees '000s, unless otherwise stated.
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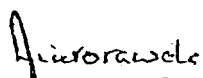
JOHN KEELLS HOLDINGS LIMITED

COMPANY BALANCE SHEET

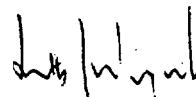
AS AT 31ST DECEMBER	2002	2001	As at 31.03.01
ASSETS			
Non-current Assets			
Property, Plant & Equipment	392,549	386,171	383
Investments in Subsidiaries & Joint Ventures	3,624,791	2,386,874	2,376
Investments in Associates	1,267,351	1,711,742	1,268
Other Investments	82,057	91,955	97
Long Term Receivables	399,080	435,363	434
	<u>5,765,828</u>	<u>5,012,105</u>	<u>4,559</u>
Current Assets			
Inventories	562	590	
Trade & Other Receivables	677,426	281,698	1,082
Short Term Loans given to Related Parties	366,770	325,441	433
Short Term Investments	253,582	232,126	252
Cash in Hand and at Bank	1,660	131,622	34
	<u>1,300,000</u>	<u>971,477</u>	<u>1,804</u>
Total Assets	<u>7,065,828</u>	<u>5,983,582</u>	<u>6,364</u>
EQUITY & LIABILITIES			
Capital & Reserves			
Authorised Share Capital	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000</u>
Issued Share Capital	1,864,919	1,838,182	1,853
Capital Reserves	1,138,766	1,057,240	1,102
Revenue Reserves	1,082,976	895,000	1,082
Retained Earnings	329,781	313,878	21
Shareholders' Funds	<u>4,416,442</u>	<u>4,104,300</u>	<u>4,060</u>
Non-current Liabilities			
Interest Bearing Borrowings	366,303	543,869	486
Retirement Benefit Obligation	40,926	42,629	44
	<u>407,229</u>	<u>586,498</u>	<u>531</u>
Current Liabilities			
Trade & Other Payables	165,113	172,007	132
Amounts due to Related Parties	231,187	469,349	467
Dividends Payable	0	0	166
Short Term Borrowings	983,808	465,117	508
Interest Bearing Borrowings	179,158	178,719	178
Bank Overdrafts	682,891	7,592	317
	<u>2,242,157</u>	<u>1,292,784</u>	<u>1,771</u>
Total Equity & Liabilities	<u>7,065,828</u>	<u>5,983,582</u>	<u>6,364</u>
	Rs.	Rs.	Rs.
Net Assets per share	23.68	22.33	2

Note : All values are in Rupees '000s, unless otherwise stated.
The above figures are subject to audit.

The Board of Directors is responsible for the preparation and presentation of these financial statements.



V. Lintotawela
Chairman



S. C. Ratnayake
Director

3 February 2003

JOHN KEELLS HOLDINGS LIMITED
COMPANY CASH FLOW STATEMENT

For the period ended 31st December

2002

2001

In Rs. '000s

CASH FLOW FROM OPERATING ACTIVITIES

Net Profit before Taxation	307,929	264,3
Adjustments for : Interest Paid	152,746	125,2
Depreciation	11,851	10,6
Profit on sale of Property, Plant & Equipment	-3,162	-
(Profit)/Loss on sale of Shares	-6,765	-4,0
Provision for fall in value of Investments	7,552	2,4
Bad Debts	13,665	12,9
Retiring Gratuity (net of payments)	-4,041	5,5
Operating Profit before working capital changes	479,775	417,2
(Increase)/Decrease in Receivables & Prepayments	473,826	215,3
Increase/(Decrease) in Creditors & Accruals	-203,871	50,6
Increase/(Decrease) in Short Term Borrowings	475,336	265,1
Cash Flow Generated by Operations	1,225,066	948,3
Interest Paid	-152,746	-125,2
Taxation Paid	-1,659	-12,4
Cash Flow from Operating Activities	1,070,661	810,5

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of Property, Plant & Equipment	-20,956	-15,9
Purchase of Investments	-1,255,771	-596,2
Proceeds from sale of Property, Plant & Equipment	3,162	-
Proceeds from sale of Investments	22,486	22,6
Net Cash Flow from Investing Activities	-1,251,079	-589,5

CASH FLOW FROM FINANCING ACTIVITIES

Issue of Shares - John Keells Holdings Limited	47,582	10,0
Dividends Paid	-166,872	-169,5
Long Term borrowings - related parties	21,578	-29,1
Proceeds from Long Term Borrowings	1,750	323,5
Repayment of Long Term Borrowings	-121,882	-56,5

Net Cash Flow from Financing Activities

-217,844	77,5
-398,262	299,0

NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS

CASH & CASH EQUIVALENTS AT THE BEGINNING

-29,387 57,1

CASH & CASH EQUIVALENTS AT THE END

-427,649 356,1

CASH & CASH EQUIVALENTS

Short Term Investments	253,582	232,7
Cash in Hand	1,660	131,6
Bank Overdrafts	-682,891	-7,5
Cash & Cash Equivalents	-427,649	356,1

JOHN KEELLS HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY

Group

AS AT 31ST DECEMBER

2002

2001

In Rs. '000s

Balance as at 31st March

8,412,562

8,180,4

Adjustment on account of changes in holdings

-15,624

-4,1

8,396,938

8,176,2

Adjustment on account of revaluation

-39,221

Share Options exercised during the period

11,460

2,5

Premium on issue of Shares during the period

36,122

7,5

Goodwill arising during the period

-103,389

10,8

Goodwill amortised during the period

3,973

-4,4

8,305,883

8,192,7

Gain/Loss not recognised in the Income Statement
- Currency Translation Reserve

8,946

45,5

Net Profit for the period

867,351

239,8

Balance as at 31st December

9,182,180

8,478,0

Company

AS AT 31ST DECEMBER

2002

2001

Balance as at 31st March

4,060,931

3,822,7

Share Options exercised during the period

11,460

2,5

Premium on issue of Shares during the period

36,122

7,5

4,108,513

3,832,1

Net Profit for the period

307,929

271,1

Balance as at 31st December

4,416,442

4,104,1

3 February 2003

JOHN KEELLS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31ST DECEMBER 2002

- | | | | |
|----|---|---------|-------|
| 1. | Market Price per share | 2002 | 2001 |
| | | Company | |
| | Market Price - Highest (for the period) | 84.50 | 72.75 |
| | Market Price - Lowest (for the period) | 54.00 | 23.50 |
2. The Interim Financial Statements of the Company and of the Group have been prepared on the basis of the same accounting policies and methods applied for the year ended 31 March 2002 and are in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.
3. The presentation and classification of figures for the corresponding period of the previous year have been amended to be comparable with those for the current year.
4. All values included in these Financial Statements are in Rs. '000s unless otherwise stated.
5. Ceylinco Tourist Hotels Limited ceased to be an Associate of the Group with effect from 20 June 2002.
6. The Company disposed of its subsidiary Waldock Mackenzie Limited to Nations Trust Bank Limited, an Associate of the Group, on 28 June 2002. Since full provision was made for losses as at 31 March 2002, the write back to Group profits during the quarter, of accumulated losses of this company, was Rs.88 million.
7. The Company acquired a 90% stake in Lanka Marine Services Limited, at a cost of Rs.1.2 billion, on 20 August 2002.
8. There have been no other events subsequent to the Balance Sheet date, which require disclosure in the Interim Financial Statements.

CORPORATE INFORMATION

Name of Company John Keells Holdings Limited Legal Form Public limited liability company, Incorporated in Sri Lanka in 1979 Ordinary Shares listed on the Colombo Stock Exchange and the GDRs on the Luxembourg Stock Exchange Directors Mr V Lintotawela - Chairman Mr A D Gunewardene Mr S C Ratnayake Mr G S A Gunasekera Mr E F G Amerasinghe Mr S Easparathan Mr J C L de Mel Mr T Das Board Audit Committee Mr S Easparathan – Chairman Mr E F G Amerasinghe Board Remuneration Committee Mr E F G Amerasinghe – Chairman Mr S Easparathan Mr J C L de Mel Secretaries and Registrars Keells Consultants Limited 130 Glennie Street Colombo 2	Auditors Ernst and Young Chartered Accountants P.O. Box 101 Colombo Bankers Bank of Ceylon CitiBank NA Commercial Bank Deutsche Bank Hatton National Bank Hongkong and Shanghai Banking Corporation NDB Bank Nations Trust Bank People's Bank Seylan Bank Standard Chartered Grindlays Depository for GDRs CitiBank NA New York Registered Office of the Company 130 Glennie Street Colombo 2 Contact Details P O Box 76 130 Glennie Street Colombo 2 Telephone: (94 1) 306000 Facsimile : (94 1) 447087 Internet : www.keells.com email : jkh@keells.com
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